

000374

30.5.90

The Minister of State

Dear Lord Trenchard,

IRAQ'S OUTSTANDING EXPORT LICENCE APPLICATIONS FOR MACHINE TOOLS

Thank you for your letter of 30 March about outstanding export licence applications for machine tools for Iraq by Matrix Churchill and Bridgeport Machines Ltd. I have also seen Alan Clark's letter to you of 3 May. I apologise for the delay in replying. There have been several important developments over the last few weeks.

This is a difficult time in our bilateral relationship with the Iraqis, following the execution of Fardad Bazoft and recent revelations about their illegal procurement activities in the UK and elsewhere. Since our meeting on 1 November, when we agreed that a previous batch of licence applications for Matrix Churchill should be approved, our knowledge of Iraq's technological capacity and of the extent and activities of Iraq's procurement network has deepened considerably. In particular the launch of an Iraqi missile on 8 December last year suggests that the Iraqis have a more sophisticated technological base than we earlier thought.

I accept your argument that we do not have incontrovertible evidence to suggest that the machinery in question will be used for anything but legitimate civil purposes. I also acknowledge that if we were to refuse the exports, we would face criticism from British industry, particularly since other countries will be willing and able to provide the Iraqis with the equipment they require. Unless material is covered by existing international agreements, there is little we can do to prevent or discourage others from supplying equipment.

SECRET

110

The nuclear capacitors and 'supergun' problems, however, have generated a very high level of interest in Parliament and the media in the supply of high-technology equipment to Iraq. Matrix Churchill's links with Iraq, and involvement in the Iraqi procurement network, are well known. In present circumstances, I believe the Government would be strongly criticised if we allowed the export of machine tools which could be used on the supergun or related projects, particularly given Matrix Churchill's links with SRC. We would, with some justification, be accused of being inconsistent if not irresponsible. The export licensing system would come under further attack.

I suggest, however, that we look again at the question in three months' time, when the interest generated by the 'supergun' may have subsided. More information may have emerged about the extent and activities of the Iraqi procurement network. In the meantime it is clearly vital that all those concerned continue to monitor carefully new information received about possible end-use of this type of equipment.

Douglas Hurd has seen this letter and agrees.

Yours faithfully,
William Waldegrave
 The Rt Hon William Waldegrave

The Rt Hon The Lord Trefgarne
 Minister for Trade
 Department of Trade and Industry
 1-19 Victoria Street
 London SW1

cc: The Hon Alan Clark MP

TRANSCRIBED COPY FOLLOWS

IRAQ: EXPORT LICENCE APPLICATIONS FOR MACHINE TOOLS

THANK YOU FOR YOUR LETTER OF 30 MARCH ABOUT EXPORT LICENCE APPLICATIONS FOR MACHINE TOOLS FOR IRAQ BY MATRIX CHURCHILL AND BRIDGEPORT MACHINES LTD. I HAVE ALSO SEEN ALAN CLARK'S LETTER TO YOU OF 3 MAY. I APOLOGISE FOR THE DELAY IN REPLYING. THERE HAVE BEEN SEVERAL IMPORTANT DEVELOPMENTS OVER THE LAST FEW WEEKS.

THIS IS A DIFFICULT TIME IN OUR BILATERAL RELATIONSHIP WITH THE IRAQIS, FOLLOWING THE EXECUTION OF FARZAD BAZOFT AND RECENT REVELATIONS ABOUT THEIR ILLEGAL PROCUREMENT ACTIVITIES IN THE UK AND ELSEWHERE. SINCE OUR MEETING ON 1 NOVEMBER, WHEN WE AGREED THAT A PREVIOUS BATCH OF LICENCE APPLICATIONS FOR MATRIX CHURCHILL SHOULD BE APPROVED, OUR KNOWLEDGE OF IRAQ'S TECHNOLOGICAL CAPACITY AND OF THE EXTENT AND ACTIVITIES OF IRAQ'S PROCUREMENT NETWORK HAS DEEPENED CONSIDERABLY. IN PARTICULAR THE LAUNCH OF AN IRAQI MISSILE ON 5 DECEMBER LAST YEAR SUGGESTS THAT THE IRAQIS HAVE A MORE SOPHISTICATED TECHNOLOGICAL BASE THAN WE EARLIER THOUGHT.

I ACCEPT YOUR ARGUMENT THAT WE DO NOT HAVE INCONTROVERTIBLE EVIDENCE TO SUGGEST THAT THE MACHINERY IN QUESTION WILL BE USED FOR ANYTHING BUT LEGITIMATE CIVIL PURPOSES. I ALSO ACKNOWLEDGE THAT IF WE WERE TO REFUSE THE EXPORTS, WE WOULD FACE CRITICISM FROM BRITISH INDUSTRY, PARTICULARLY SINCE OTHER COUNTRIES WILL BE WILLING AND ABLE TO PROVIDE THE IRAQIS WITH THE EQUIPMENT THEY REQUIRE. UNLESS MATERIAL IS COVERED BY EXISTING INTERNATIONAL AGREEMENTS, THERE IS LITTLE WE CAN DO TO PREVENT OR DISCOURAGE OTHERS FROM SUPPLYING EQUIPMENT.

THE NUCLEAR CAPACITORS AND 'SUPERGUN' PROBLEMS, HOWEVER, HAVE GENERATED A VERY HIGH LEVEL OF INTEREST IN PARLIAMENT AND THE MEDIA IN THE SUPPLY OF HIGH-TECHNOLOGY EQUIPMENT TO IRAQ. MATRIX CHURCHILL'S LINKS WITH IRAQ, AND INVOLVEMENT IN THE IRAQI PROCUREMENT NETWORK, ARE WELL KNOWN. IN PRESENT CIRCUMSTANCES, I BELIEVE THE GOVERNMENT WOULD BE STRONGLY CRITICISED IF WE ALLOWED THE EXPORT OF MACHINE TOOLS WHICH COULD BE USED ON THE SUPERGUN OR RELATED PROJECTS, PARTICULARLY GIVEN MATRIX CHURCHILL'S LINKS WITH SRC. WE WOULD, WITH SOME JUSTIFICATION, BE ACCUSED OF BEING INCONSISTENT IF NOT IRRESPONSIBLE. THE EXPORT LICENSING SYSTEM WOULD COME UNDER FURTHER ATTACK.

I SUGGEST, HOWEVER, THAT WE LOOK AGAIN AT THE QUESTION IN THREE MONTHS' TIME, WHEN THE INTEREST GENERATED BY THE 'SUPERGUN' MAY HAVE SUBSIDED. MORE INFORMATION MAY HAVE EMERGED ABOUT THE EXTENT AND ACTIVITIES OF THE IRAQI PROCUREMENT NETWORK. IN THE MEANTIME, IT IS CLEARLY VITAL THAT ALL THOSE CONCERNED CONTINUE TO MONITOR CAREFULLY NEW INFORMATION RECEIVED ABOUT POSSIBLE AND USE OF THIS TYPE OF EQUIPMENT.

DOUGLAS HURD HAS SEEN THIS LETTER AND AGREES.